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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002477

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TAGS: IZ ECON ENRG PREL

SUBJECT: ECON COMMITTEE CHAIR DISCUSSES FRAMEWORK
HYDROCARBON LAW, ECONOMIC REFORM WITH EMIN

Classified By: Economic Minister Charles P. Ries for reasons 1.4 (b) and (d)

¶11. (C) Summary: In a July 24 introductory meeting with Economic Minister, Dr. Haider al-Abadi (Dawa), Chairman of the Economic Committee in the Council of Representatives (CoR), provided his views on the current status of the hydrocarbon framework law in the CoR. Abadi expressed interest in receiving a brief explaining the great potential for undiscovered but potentially significant oil and gas deposits beneath al-Anbar province. Three laws related to World Bank loan programs are not expected to pass prior to the beginning of the CoR recess in August. Abadi said he would continue to convene a number of roundtable discussions with other members of the Economic Committee and working level ministry official to generate consensus on an economic reform strategy for Iraq. End Summary.

Hydrocarbon Framework Law Stalled

¶12. (C) During his introductory call on the CoR's Economic Committee Chair, EMIN probed Abadi on the current status of the framework hydrocarbon law. "We would have had a first reading this week," Abadi said, "but the Kurds said they would walk out if we put it on the agenda." Abadi found this decision particularly exasperating given that there would be opportunities to review the text after the first reading of the law. He plans on reviewing the law in the Economic Committee as well, with discussions open to other members of the CoR.

¶13. (C) In general, Abadi said that the climate in Iraq for passing the framework law was not positive. He was surprised to see that even in England newspapers like the Guardian report inaccurate accusations about the effects of the law. He noted that much opposition centers on the provisions for production-sharing agreements. He thinks that this opposition could be placated by stipulating a cap on production-sharing agreements for the next four years, during which he said, there is unlikely to be too much investment anyway because of the security situation. Abadi complained that the CoR needed to recognize that Iraq's future economic prosperity depends on this law's passage and, for this reason, forego temporal political considerations.

Revenue Management Law

¶14. (C) Regarding the revenue management law, Abadi said that they needed to make sure that there was sufficient funding for the central government. EMIN stated that a proposal for 10% of oil revenues to be set aside for strategic projects might be acceptable for all sides. Abadi agreed that this compromise could prove to break the current impasse. In order to allay Sunni fears that the passage of the

hydrocarbon-related legislation would leave them with an inequitable distribution of resources, EMIN raised the possibility of having oil specialists at post provide a detailed briefing to Sunni COR members on the potential for substantial oil and gas reserves to be discovered in al-Anbar province. Abadi expressed a great degree of interest in this idea. (Note: Post plans to brief DPM Salaam Zoubaie as well. End Note.)

World Bank Loans Unlikely to Pass Before Summer Recess

¶15. (C) Abadi said that there was support for the laws approving World Bank loans at the COR, but that there was not enough time to pass them before the summer recess. He said that while a first reading was held this week, it only covered the World Bank loans for projects in the Kurdistan Regional Government. "We were surprised, but the reading only referred to Kurdistan," he said. Abadi considers these loans an important part of the government's economic development work and thinks that they should be passed.

Developing a GOI Strategy for Economic Reform

¶16. (C) EMIN inquired about a roundtable discussion held by the Economic Committee last week. Abadi replied that the session was very productive. He was hoping to convene three additional sessions, involving officials at the ministerial level, to develop a consensus on a GOI plan for economic reform. The final session would culminate in the presentation of an economic reform white paper that would lay out a

BAGHDAD 00002477 002 OF 002

consistent GOI economic reform strategy. Abadi hopes that this resolves disputes as to the direction of the GOI's economic reform, and thinks it will support Deputy Prime Minister for Economic Affairs Barham Salih's ideas. The roundtable focused on ways to privatize State Owned Enterprises, reduce government payrolls, and encourage private sector activity.

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